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"Paid News": How corruption in the Indian media undermines democracy

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The 'Medianet' and 'Private Treaties' phenomena

In pursuing its quest for profits, it can be argued that certain media organizations have sacrificed good journalistic practices and ethical norms. Individual transgressions -- reporters and correspondents being offered cash and other incentives, namely paid-for junkets at home or abroad in return for favourable reports on a company or an individual – were, until recently, considered more of an aberration than a norm. News that was published in such a manner was suspect because of the fawning manner in which events/persons were described while the reports gave an impression of being objective and fair. The byline of the journalist was stated upfront. Over the years such individual transgressions became institutionalised.

In the 1980s, after Sameer Jain became the executive head of Bennett, Coleman Company Limited (BCCL), publishers of the *Times of India (TOI)* group of publications, the rules of the Indian media game began to change. Besides initiating cut-throat cover-price competition, marketing was used creatively to make BCCL one of the most profitable media conglomerates in the country – it currently earns more profit than the rest of the publishing industries in the country put together though as a corporate group, the STAR group has in recent years recorded a higher annual turnover in particular years.

The media phenomenon that has caused considerable outrage of late has been BCCL's 2003 decision to start a "paid content" service called Medianet, which, for a price, openly offers to send journalists to cover product launches or personality-related events. When competing newspapers pointed out the blatant violation of journalistic ethics implicit in such a practice, BCCL's bosses argued that such "advertorials" were not appearing in newspapers like the *TOI* itself, but only in the city-specific colour supplements that highlight society trivia rather than hard news. There was another, more blatant justification of this practice not just by BCCL but other media companies that emulated such a practice after BCCL started it. If public relations (PR) firms are already "bribing" journalists to ensure that coverage of their clients is carried, what was wrong then with eliminating the intermediary – in this instance, the PR agency – it was argued.

Besides Medianet, BCCL devised another "innovative" marketing and PR strategy. In 2005, ten companies, including Videocon India and Kinetic Motors, allotted unknown amounts of equity shares to BCCL as part of a deal to enable these firms to receive advertising space in BCCL-owned media ventures. The success of the scheme turned BCCL into one of the largest private equity investors in India. At the end of 2007, the media company boasted of investments in 140 companies in aviation, media, retail and entertainment, among other sectors, valued at an estimated Rs 1,500 crore. According to an interview given by a senior BCCL representative (S. Sivakumar) to a website (medianama.com) in July 2008, the company had between 175 and 200 private treaty clients with an average deal size of between Rs 15 crore and Rs 20 crore implying an aggregate investment that could vary between Rs 2,600 crore and Rs 4,000 crore.

It is a separate matter that the fall in stock-market indices in 2008 robbed some of the sheen off the "private treaties" scheme for the BCCL management. While the value of BCCL's holdings in partner companies came down, the media company had to meet its commitments to provide advertising space at old "inflated" valuations which also had to be shown as assessable taxable income for BCCL on which corporation tax is levied.

Even as the private treaties scheme was apparently aimed at undermining competition to the *TOI*, a number of the newspaper's competitors as well as television channels started similar schemes. The "private treaties" scheme pioneered in the Indian media by BCCL involves giving advertising space to private corporate entities/advertisers in exchange for equity investment – the company officially denies that it also provides favourable editorial coverage to its "private treaty" clients and/or blacks out adverse comment against its clients.

While BCCL representatives denied receiving money for providing favourable editorial space, the integrity of news was compromised. In advertisements published in the *Economic Times* and the *TOI* celebrating the success of the group's private treaties, on December 4, 2009, the Mumbai edition of the newspapers published a half-page colour advertisement titled "How to perform the Great Indian Rope Trick" and cited the case of Pantaloon. What was being referred was how Pantaloon's strategic partnership with the *TOI* group had paid off. The advertisement read: "…with the added advantage of being a media house, Times Private Treaties, went beyond the usual role of an investor by not straining the partner's cash flows. It was because of the unparalleled advertising muscle of India's leading media conglomerate. As Pantaloon furiously expanded, Times Private Treaties (TPT) ensured that (it) was never short on demand. The TPT has a better phrase for it -- business sense."

In many media organizations, news is sought to be distinguished from material that is paid for, called advertisements or "advertorials", by using different or distinctive fonts, font sizes, boundaries and/or disclaimers such as "sponsored feature" or even the letters "advt" printed in a miniscule font size in a corner of the advertisement – which may or may not escape the attention of the reader. However, in certain instances, even a fig-leaf of a disclaimer was done away with. For instance, a year-long series of articles on the skin-care product, Olay, in *Delhi Times*, the city supplement of the *Times of India*, would appear to have fallen into the category of “paid news” even if this was denied by the newspaper. Whereas BCCL representatives have often argued that the companies private treaties scheme is open to public scrutiny since the companies in which BCCL has picked up stakes is in the public domain and listed on its official website, the influence such companies wield on editorial content is a matter of contention and debate.

An advertising campaign by razor blade manufacturing company, Gillete, called “war against lazy stubble”, broadcast on the CNN-IBN television news channel, showcased features, interviews of celebrities, as well as panel discussions on the topic of whether a man should shave or not with a foregone conclusion: “Indian women prefer clean shaven men”. It was claimed that the Gillette-CNN-IBN “exclusive partnership” was a mutually beneficial alliance. There are many other such examples of “advertorials”.

Suggestions by Securities and Exchange Board of India to Press Council of India:

On July 15, 2009, Shri S. Ramann, Officer on Special Duty, Integrated Surveillance Department of the Securities and Exchange Board of India (SEBI) wrote to the Chairman, Press Council of India, Justice G.N. Ray observing that many media companies were entering into agreements called “private treaties” with companies whose equity shares are listed on stock exchanges or companies that were coming out with a public offer of their shares. The media companies were picking up stakes in such companies and in return, were proving coverage through advertisements, news reports and editorials. The SEBI, which has been set up under the Securities and Exchange Board of India Act, 1992, and is mandated to protect the interests of investors, felt that such promotional and brand building strategies in exchange for shares, “may give rise to conflict of interest and may, therefore, result in dilution of the independence of (the) press vis-à-vis the nature and content of the news/editorials relating to such companies”.

The SEBI pointed out that “private treaties” may “lead to commercialization of news reports since the same would be based on the subscription and advertising agreement entered into between the media group and the company”. Furthermore, “biased and imbalanced reporting may lead to inaccurate perceptions of the companies which are the beneficiaries of such private treaties”. Hence, the SEBI “felt that such brand building strategies of media groups, without appropriate and adequate disclosures, may not be in the interest of investors and financial markets as the same would impede in them taking a fair and well-informed decision. The SEBI suggested the following:

1. Disclosures regarding the stake held by the media company may be made mandatory in the news report/article/editorial in newspapers/television channels relating to the company in which the media group holds such a stake.
2. Disclosure on percentage of stake held by media groups in various companies under such “private treaties” on the website of media groups may be made mandatory.
3. Any such disclosures relating to such agreements such as any nominee of the media group on the board of directors of the company, any management control

or other details which may be required to be disclosed and which may be a potential conflict of interest for the media group, may also be made mandatory.

The SEBI communication to the Press Council of India pointed out that a “free and unbiased press is crucial for the development of the securities market, particularly with respect to aiding small investors to take a well informed decision” and urged the Council to address this issue at the earliest.

In this context, the Council referred to the existing guidelines for financial journalists that had been framed in 1996, which include the following:

1. Financial journalists should not accept gifts, loans, trips, discounts, preferential shares or other considerations which compromise or are likely to compromise his position.
2. It should be mentioned prominently in a report about a company that the report has been based on information provided by the company or its financial sponsors.
3. When trips are sponsored for visiting establishments of a company and hospitality extended, the author of the report who has availed of such facilities must invariably state these in his report.
4. A reporter who exposes a scam or brings out a report for promotion of a good project should be encouraged and awarded.
5. A journalist who has a financial interest in a company (including holding of shares) should not report on that company.
6. The journalist should not use for his personal benefit or for the benefit of his relations or friends, information received by him in advance for publication.
7. No newspaper owner, editor or anybody connected with a newspaper should use his relationship with the newspaper to promote his other business interests.
8. Whenever there is an indictment of a particular advertising agency or advertiser by the Advertising Standards Council of India, the newspaper in which the advertisement was published must publish news of the indictment prominently.

After deliberating on the issue, the Press Council of India endorsed the views expressed by the SEBI and stated that the relevant guidelines should be made applicable and mandatory not only to financial journalists but to owners of media companies as well. This would be in the interests of transparency and fairness and would reduce the incidence of biased news about companies being published that is inimical to the interests of investors.

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